

## **Title 2. California Public Employees' Retirement System**

### **Proposed Amendments to Sections 561 thru 561.14 of Title 2 of the California Code of Regulations**

#### 561. Scope and Authority.

These regulations interpret and implement the ~~Currently Employed Member and Annuitant Single Family Home Loan Program~~ Dave Elder Public Employees' Retirement System Member Home Loan Program authorized by Section 20200 of the Government Code. The regulations establish criteria and procedures for eligibility determination, loan origination, terms, servicing, and termination.

NOTE: Authority cited: Section 20120 and 20200, Government Code.  
Reference: Section 20200, Government Code.

#### 561.1. Program Criteria.

Loans issued pursuant to these regulations and loan modifications to loans fully owned by the System shall provide the greatest benefit to ~~currently employed~~ members and annuitants consistent with the Board's role as fiduciary for all members and annuitants, the sound investment of the retirement fund, and the financial integrity of the program.

NOTE: Authority cited: Section 20120 and 20200, Government Code.  
Reference: Section 20200, Government Code.

#### 561.2. Definitions.

"Annuitant" means a person who receives an allowance from the System.

"Board" means the Board of Administration of the System as set forth in Section 20021 of the Government Code.

"Correspondent" means a lending institution which meets the System's minimum standards for appointment for mortgage loan correspondents, which may be changed from time to time, and such lending institution has entered into a correspondent's agreement with the System which is still valid at the time of origination of the loan.

~~"Currently employed m~~Member~~" means a person who is in active state or local public agency service as defined in Section 20069 of the Government Code and contributing to the System on account of such service on the date of the application for the loan and on the date of the purchase of the loan by the System. within the provisions of section 20200(b) of the Government Code.~~

"Home" means a single-family dwelling, two-family dwelling, three-family dwelling, four-family dwelling, single-family cooperative apartment, and single-family condominium within the state which the borrower intends to make his or her permanent and principal residence. "Home" does not include duplexes or other multi-unit equity interests or living units forming a part of any commercial activity.

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"Loan" means a loan secured by a first note and deed of trust on a home to a borrower pursuant to the provisions of these regulations.

"Officers" means members of the Board of Administration of the California Public Employees' Retirement System, and its designees.

"Principal residence" means the home that the borrower intends to occupy as permanent and principal residence for the term of the loan. It does not include a purchase for speculative, temporary, interim, or second home purposes.

"System" means the Public Employees' Retirement System, ~~an agency of the State of California~~ as set forth in section 20058 of the Government Code.

NOTE: Authority cited: Sections 20120, 20121, 20200, 20201, Government Code. Reference: Sections 20002, 20021, 20200, and 20201, Government Code.

### **561.3. Eligibility for Loans.**

At the time of origination, loans shall be available only to qualified ~~currently employed~~ members and annuitants for the purchase or refinancing of homes in accordance with the provisions of these regulations.

A member or annuitant shall not be eligible for a second loan under this program while a loan which he or she originated remains outstanding.

Effective January 1, 2002, "officers" as defined herein (Sec. 561.2) shall not be eligible for a home loan under the Member Home Loan Program.

NOTE: Authority cited: Sections 20120, 20121, 20200, 20201, Government Code. Reference: Sections 20002, 20021, 20200, and 20201, Government Code.

### **561.4. Loan Standards.**

To the extent that they are not in conflict with the provisions of these regulations, loan standards shall ~~be as defined as in the Boards' "Minimum Standards of Acceptability for Conventional Single Family Real Estate Mortgage Loans and FHA-VA Loans" as they exist on the effective date of these regulations, and as they may be formally changed from time to time.~~ conform to guidelines of government-sponsored enterprises that guarantee loans.

NOTE: Authority cited: Section 20120 and 20200, Government Code. Reference: Section 20200, Government Code.

### **561.5. Rates.**

Loans shall carry interest rates which shall be set ~~in advance, from time to time by the Board's Investment Committee~~ consistent with market rates.

NOTE: Authority cited: Section 20120 and 20200, Government Code. Reference: Section 20200, Government Code.

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### **561.6. Proof of Occupancy.**

Borrowers shall certify in their loan application that they intend to occupy the home as their principal residence. Borrowers shall notify the correspondent servicing the loan immediately when they cease to occupy the home as their principal residence.

NOTE: Authority cited: Section 20120 and 20200, Government Code.

Reference: Section 20200, Government Code.

### **561.7. Failure to Comply with Certification and Notice Requirement.**

Failure to comply with the provisions of Section 561.6 within ten days may cause the outstanding balance of the loan to become immediately due and payable.

NOTE: Authority cited: Section 20120 and 20200, Government Code.

Reference: Section 20200, Government Code.

### **561.8. Amount of Loan and Mortgage Insurance.**

At the time the loan is originated, ~~the amount of the loan shall provide a loan-to-value ratio of a maximum of 100 percent for the first loan for a single-family dwelling, single-family cooperative apartment, or single-family condominium; 95 percent for the first loan on a two-family dwelling; and 90 percent for the first loan on a three-family dwelling or four-family dwelling. The portion of any loan exceeding 80 percent of value shall be insured by an admitted mortgage guaranty insurer conforming to the provisions of Chapter 2A (commencing with Section 12640.01) of Part 6 of Division 2 of the Insurance Code in an amount so that the unguaranteed portion of the loan does not exceed 75 percent of the market value of the property together with improvements thereon. the minimum amount of required mortgage insurance coverage shall conform to guidelines set by government-sponsored enterprises.~~

NOTE: Authority cited: Section 20120 and 20200, Government Code.

Reference: Section 20200, Government Code.

### **561.9. Term of Loan.**

The maximum term for any loan shall ~~be 360 months~~ not exceed the current guidelines set by government-sponsored enterprises.

NOTE: Authority cited: Section 20120 and 20200, Government Code.

Reference: Section 20200, Government Code.

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### **561.10. ~~Prepayment Penalties~~**

~~Loans shall be subject to the prepayment penalties in effect as of the date the loan is closed as set forth in the Board's real estate mortgage loan standards which may be formally changed from time to time.~~

~~NOTE: Authority cited: Section 20120 and 20200, Government Code.  
Reference: Section 20200, Government Code.~~

### **561.140. ~~Origination and Servicing of Loans.~~**

~~Subject to the Housing Financial Discrimination Act of 1977 and other applicable law, correspondents, when approved by the System, shall originate and service loans pursuant to the standard correspondent's agreement and the Board's "Instructions to Correspondents for the Sale and Servicing of Conventional Single Family and FHA and VA Loans Purchased by the California Public Employees' Retirement System" as it may be formally changed from time to time. with the System.~~

~~NOTE: Authority cited: Section 20120 and 20200, Government Code.  
Reference: Section 20200, Government Code.~~

### **561.121. ~~Commitments.~~**

~~The Board shall not be obligated to purchase a loan from an originating correspondent unless all of the requirements for such purchase have been met and the Board has executed a commitment to purchase such loan.~~

~~NOTE: Authority cited: Section 20120 and 20200, Government Code.  
Reference: Section 20200, Government Code.~~

### **561.132. ~~Purchase Price.~~**

~~With respect to all loans for which the Board has executed a commitment, the purchase price shall not exceed that amount set forth in the System's commitment.~~

~~NOTE: Authority cited: Section 20120 and 20200, Government Code.  
Reference: Section 20200, Government Code.~~

### **561.14. ~~Administration of the Program~~**

~~—The Board, pursuant to Section 20099 of the Government Code, hereby delegates to the Executive Officer the administration of the program to act finally in accordance with these regulations and the instructions and supervision of the Board's Investment Committee. The Executive Officer may, in turn, delegate to subordinates the ministerial functions of the program.~~

~~NOTE: Authority cited: Section 20120 and 20200, Government Code.  
Reference: Section 20099, 20200, Government Code.~~